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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

INDIANA UTILITY
REGULATORY COMMISSION

PETITION OF THE CITY OF)
EVANSVILLE, INDIANA, BY ITS WATER)
AND SEWER UTILITY BOARD, FOR)
AUTHORITY TO ISSUE BONDS, NOTES,)
OR OTHER OBLIGATIONS, FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER SERVICE,)
AND FOR APPROVAL OF NEW)
SCHEDULES OF WATER RATES,)
CHARGES, AND RULES AND)
REGULATIONS FOR WATER SERVICE,)
AND FOR APPROVAL OF ACCOUNTING)
AND RATEMAKING TREATMENT FOR)
WATER SERVICE TO REFLECT THE)
IMPACT OF REASONABLY FIXED,)
KNOWN AND MEASUREABLE CAPITAL)
REQUIREMENTS OVER THE NEXT)
THREE CALENDAR YEARS.)

CAUSE NO. 43190

VERIFIED PETITION

Petitioner, City of Evansville, Indiana, by and through its Water and Sewer Utility Board ("Petitioner"), respectfully petitions the Indiana Utility Regulatory Commission ("Commission") for approval and authorization of an increase in Petitioner's rates and charges for water service, and for all other relief set forth in the above caption. In support of its Petition, the Petitioner states:

1. Petitioner is a public utility that owns and operates a municipal water works and related facilities providing water sales and service to customers in and near the City of Evansville, Indiana. Petitioner also sells water at wholesale to certain other water utilities. Petitioner's principal office is located at 104 Civic Center Complex,

1 N.W. Martin Luther King, Jr. Blvd., Evansville, Indiana 47708, and engages in its business solely within Indiana and is subject to the jurisdiction of this Commission to the extent provided by the Public Service Commission Act, as amended, and other laws of the state of Indiana.

2. Petitioner, by its Department of Waterworks, operates, manages, and controls plants, property, pipelines, equipment, and facilities which are used and useful in the obtainment, treatment, distribution, and sale of water and provision of water service to residential, commercial, industrial, and other consumers in the southwestern portion of Indiana. Petitioner's water utility properties are used and useful in its public service and operated efficiently and maintained so as to provide adequate, dependable, and efficient water sales and service to its customers.

3. Petitioner has experienced increased cost and expense, as well as increased demand, for its water utility services since its last rate increase approved by the Commission on February 18, 2004, in Cause Number 42176, which increase was less than the City sought at that time. Due to the increased demand, projected continuing increased demand, and substantial additional costs and expenses, including, but not limited to, continuing and new environmental requirements, in order to continue to provide adequate, reliable service to its customers, the Petitioner has enlarged and extended its water volume, treatment, and distribution facilities so that Petitioner's revenues provided by its current rates are inadequate to meet the additional carrying cost and expense of its present and expanded or additional plant and facilities as well as the costs and expenses to meet or exceed environmental and other legal and customer service requirements over the three (3) calendar years - i.e., 2008, 2009, and

2010 - following approval of a new schedule of rates, charges, and rules and regulations.

4. Petitioner must continue to make necessary additions, extensions, replacements, and improvements to its waterworks system. Petitioner proposes to obtain the necessary funds for these from revenues and from the issuance of new waterworks revenue bonds. The principal and interest of the new waterworks revenue bonds will be payable solely from future revenues of the Petitioner's waterworks.

5. With Petitioner's necessary additions, extensions, replacements, and improvements and after the issuance of the proposed revenue bonds, the existing rates and charges for water service rendered by Petitioner will not produce sufficient revenue to pay all the legal and other necessary expenses incident to the operation of the utility, including maintenance costs, operating charges, upkeep, repairs, depreciation, and interest charges on bonds or other obligations, including leases; provide a sinking fund for the liquidation of bonds or other evidence of indebtedness, including leases; provide a debt service reserve for bonds or other obligations, including leases; provide adequate money for working capital; provide adequate money for making extensions and replacements to the extent not provided for through depreciation; provide money for the payment of any taxes that may be assessed against the utility or payments in lieu of taxes, and provide a reasonable return on the utility plant. The existing rates and charges are therefore insufficient, confiscatory, and unlawful.

6. It is necessary to increase the present rates and charges in order to provide sufficient funds to meet the financial requirements of Petitioner's waterworks and maintain the utility property in a sound physical and financial condition, and to meet

all environmental and other water services requirements to enable Petitioner to continue rendering adequate and efficient utility service.

7. Petitioner's Board of Directors of the Department of Waterworks acts as the City's legislative body for purposes of rate and bond ordinances pursuant to Ind. Code §§ 8-1.5-5-1.5. The Board has approved the rate increase and bond issue for which approval is sought.

8. The extensions, replacements, and improvements, for which authority to issue the bonds, notes, or other obligations is sought, are reasonably necessary for Petitioner to provide adequate and efficient utility service. The revenue bonds which Petitioner seeks authority to issue are a reasonable method for financing such extensions, replacements, and improvements. The new schedule of rates and charges will represent rates and charges which are lawful, nondiscriminatory, necessary, reasonable, and just. Therefore, the issuance of the proposed revenue bonds and the establishment of the new schedule of rates and charges should be approved by the Commission.

9. Petitioner proposes the phase-in of its required rate increase over the next three (3) years - i.e., 2008, 2009 and 2010 - with a 12.1% increase during the first year (2008), an additional 16.8% increase commencing immediately following the initial twelve (12) month period (2009), and an additional 9.6% rate increase following the first twenty-four (24) month period (2010), which thus provides a 38.5% rate increase which, with other inherent costs, including, without limitation, carrying costs, will cumulatively be 43.5%, which rate will continue until changed by this Commission in accordance with its rules, regulations, and Indiana law.

10. Petitioner considers the test year to be used for determining Petitioner's actual and pro forma operating revenues, expenses, and revenue requirement under present and proposed rates is the twelve (12) months ended May 31, 2006, and believes the financial and accounting data, when properly adjusted pursuant to Petitioner's evidence, including, but not limited to, the substantial additional capital requirements Petitioner must meet and finance over the three (3) calendar years succeeding 2007, fairly present the annual operation of Petitioner. Therefore, such test year, as adjusted, is a proper basis for fixing the requested new rates for Petitioner and testing the effect of those rates over the involved time frame.

11. Petitioner considers Ind. Code §§ 8-1-2-42, 8-1.5-2-19 and 8-1.5-3-8, among others, applicable to the subject matter of this proceeding.

12. The attorney authorized to represent Petitioner in this proceeding who is authorized to accept service of papers in the proceeding on behalf of Petitioner is:

George A. Porch
Attorney No. 5791-82
Bowers Harrison, LLP
25 N.W. Riverside Drive
Evansville, Indiana 47708
Telephone: (812) 426-1231
Fax: (812) 464-3676
E-mail: gap@bowersharrison.com

13. A copy of the Petition has been served on the Office of Utility Consumer Counselor ("OUCC") at the time of filing of this Petition. Further information requested by the Commission staff or the OUCC will be provided by Petitioner upon request or as part of Petitioner's evidence herein.

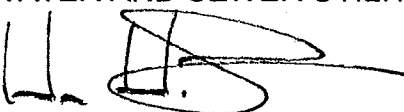
14. Pursuant to 170 IAC 1-1.1-15, Petitioner requests that a date be promptly fixed for a preliminary hearing in this proceeding.

WHEREFORE, Petitioner respectfully prays the Commission promptly conduct a pre-hearing conference, take such further action as it deems appropriate, and thereafter issue a final order approving the issuance of bonds, notes, or other obligations, authorizing an increase in Petitioner's rates and charges for water service as requested by Petitioner, and approving the establishment of new schedules of water rates and charges applicable thereto, with such schedules to properly reflect and establish the proposed rate increase phase-in. Petitioner also respectfully prays the Commission make such other and further orders in the premises as the Commission may deem appropriate and proper.

Dated this 6th day of December, 2006.

"PETITIONER"


CITY OF EVANSVILLE
WATER AND SEWER UTILITY

By: 
Harry Lawson, General Manager

ATTEST:


Sandra Hetzel, Executive Secretary

BOWERS HARRISON, LLP


By: 
George A. Porch
Attorney No. 5791-82
25 N.W. Riverside Drive
Evansville, Indiana 47708
Telephone: (812) 426-1231
Fax: (812) 464-3676

Attorneys for Petitioner

STATE OF INDIANA)
)
COUNTY OF VANDERBURGH)

SS:

Harry Lawson, the General Manager of Petitioner duly authorized to act herein by the Resolution of the Utility Board; and Sandra Hetzel, the Executive Secretary of the Utility Board, being first duly sworn upon their respective oaths, depose and say that they have read and subscribed to the foregoing Petition and have authority so to do, and that the statements contained therein are true and correct to the best of their knowledge, information, and belief.

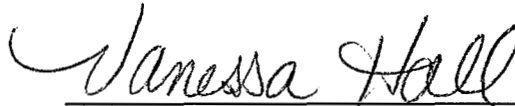


Harry Lawson, General Manager



Sandra Hetzel, Executive Secretary

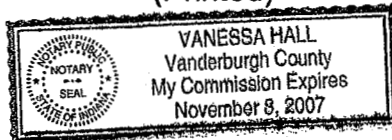
SUBSCRIBED and sworn to before me, a Notary Public in and for said County and State, this 10th day of December, 2006.



Notary Public

Vanessa Hall

(Printed)



My Commission Expires: _____

CERTIFICATE OF SERVICE

The undersigned counsel certifies that a copy of this Petition has been served by hand-delivery on the Indiana Office of the Utility Consumer Counselor this 11 day of December, 2006.



George A. Porch, Attorney No. 5791-82